

MINUTES
House Select Committee on
A Comprehensive Rail Service Plan for North Carolina
March 25, 2010, 10:00 a.m.
Room 1027/1128, Legislative Building
Representative Ray Rapp, presiding

Chairman Ray Rapp called to order the second meeting of the 2009-10 House Select Committee on A Comprehensive Rail Service Plan for North Carolina at 10:05 a.m. on Thursday, March 25, 2010. The following members of the committee were present: Representatives Lucy Allen, Jeff Barnhart, Lorene Coates, Nelson Cole, Jerry Dockham, Phillip Frye, Mark Hilton, Frank Iler, Dan Ingle, Grier Martin, Deborah Ross, and Ronnie Sutton. Assistant Sergeants-at-Arms serving the committee were Tom Wilder, Martha Parrish, and Touissant Avent. The agenda for the meeting is attached as Exhibit A, and Visitor Registration sheets are attached as Exhibit B.

Chairman Rapp said the committee needs to be looking at a 21st Century network of rail service nationally and globally while looking at a comprehensive passenger and rail service plan for North Carolina. He said the Urban Growth Committee on Tuesday heard Deputy Secretary Roberto Canales talk about rail as part of a broader transportation plan for North Carolina and how it fits into broader economic development initiatives. He said he thought it would be worthwhile to have the Deputy Secretary appear before this committee as well. He said the meeting today would help members to see passenger and freight rail service in a broader context.

Chairman Rapp said the committee would hear from three rail lines today to tell how North Carolina fits into their systems: The North Carolina Railroad, CSX, and Norfolk Southern.

Chairman Rapp said there was a handout put in committee notebooks entitled, "SEHSR.BIZ, Southeast High Speed Rail Business Opportunity Workshop." That handout is attached as Exhibit C. He asked Pat Simmons from the Rail Division to explain the handout to the group.

Mr. Simmons stated SEHSR.BIZ will be an all-day informational and networking workshop in Greensboro on Wednesday, April 21, 2010. He said folks can register for the workshop at SEHSR.BIZ. The workshop is an attempt to provide information about the program overview, when the projects will be implemented, and what kind of work they are looking at. He said they would bring in both traditional railroad contractors and highway contractors to begin working together, making sure they know what the rules are while working in the railroad environment. Mr. Simmons said both CSX and Norfolk Southern have graciously agreed to send some of their folks, and there will be federal officials coming in for networking of small businesses and women-owned businesses.

Representative Allen asked what kind of small businesses would be represented, and Mr. Simmons said concrete, steel, civil work, ballasts, highway work, bridge work, and a variety of things. He said part of the purpose is to get all of the information out on the table on a project-level basis.

The chair asked for a motion to approve the minutes from the last meeting, and a motion was made by Representative Ingle, seconded by Representative Ross. The motion carried, and the minutes were approved.

Chairman Rapp introduced Mr. Scott Saylor, President of the North Carolina Railroad (NCRR), for his presentation on where NCRR is and where it is going.

Mr. Saylor gave a PowerPoint presentation, and a copy of that presentation is attached as Exhibit D. He also provided a handout entitled, "Rail and the New Economy Forum," which is attached as Exhibit E.

Mr. Saylor said there are some exciting things going on with the North Carolina Railroad. He said most of the resources in the federal grant secured by the Department of Transportation for high-speed rail will be spent on the North Carolina Railroad.

To refresh memories, Mr. Saylor said the North Carolina Railroad is a 317-mile long railroad that the State of North Carolina owns through the North Carolina Railroad Company. It is an irreplaceable asset for the state worth approximately \$2 billion and perhaps \$2.5 billion after investments in the next 5 to 7 years. He said it is very much a part of an interstate freight network, and very much a part of an interstate passenger rail network. It will eventually be a part of an intra-state passenger rail network including transit, light rail, and some other things.

With the economy down, Mr. Saylor said the job creation from NCRR and all the railroads in the state is pretty incredible. He said over the past 12 months the freight business on NCRR, which is operated by Norfolk Southern, is up. Business is up as much as 20 percent compared to last year on the main line between Greensboro and Charlotte, and it is up just as much in the east. There is new grain business, some of which is going to be going to one of the shortlines on a major ethanol project; and there is new business from PCS Phosphate, which is a major employer in eastern North Carolina. And, there is still a lot of coal business in the eastern part of the state. One of the coal users, Progress Energy, is going to be converting to gas. He said conversions to gas are challenges for the freight railroad, so some of that coal business will be lost in a couple of years.

Mr. Saylor said he wanted to emphasize NCRR's important relationship with CSX. He said CSX crosses the NCRR in seven locations, and it operates on ten miles of the NCRR, so it is not just a Norfolk Southern-operated line; NCRR has an important relationship with CSX.

According to a 2007 study conducted by Research Triangle Institute, NCRR touches 24 percent of the state's economy. It saves rail customers (shippers) between

\$200 million and \$300 million per year in transportation costs over what they would have paid without the NCRR. The environmental benefits would measure \$55 million a year in the 2007 study.

Mr. Saylor said it is important to protect and preserve the corridor right-of-way so it can be improved going forward. House Bill 116, which was sponsored by the committee, is now in the Senate after passing the House with some compromises. He said NCRR still supports the legislation and is very appreciative of the work the committee did getting the bill ready. He said it put the burden on the railroad to provide maps, and in exchange for that it provides much clearer standards for the use of corridors and railroad easements statewide. It does not apply just to the NCRR; it is drafted to apply to all railroads in the state.

Mr. Saylor referred to a chart showing current corridor usage and projected corridor usage, shown on page 3 of the handout (Exhibit D). NCRR today has the scenario shown at the top of the page—at most three tracks. About one third of the railroad is double-tracked from Raleigh to the west, but east of Raleigh is entirely single track railroad except for three passing sides plus a short one in Kinston. There is not nearly the capacity to move trains in the east as there is in the west, and NCRR has devoted a substantial share of the resources earned off the Norfolk Southern agreement to improving the line to the east. He said the bottom half of the diagram relates more to what NCRR thinks is to the west in the urban areas where there is a potential for more passenger trains, more high-speed trains, and the possibility of transit. Mr. Saylor said after a while you can only fit so much into 200 feet.

He said although you say you have 200 feet, in some places there are not 200 feet because encroachments, streets and highways, and bridge piers limit the capacity inside the corridor.

Mr. Saylor said rail is going to matter more in the next 15 years than it has in the last 50, which is illustrated by the fact that half a billion dollars is about to be invested in rail, \$315 million of which is going to be spent on the NCCR. He said those are significant investments, and 17 of the 27 projects are on the NCCR.

Mr. Saylor said commuter rail is conventional rail operated on conventional tracks just like the freight tracks and passenger tracks, but commuter trains run in and out of urban areas typically. NCRR finished a study in 2008 showing a snapshot of Greensboro to Goldsboro in Wayne County, looking at what it would cost to build additional tracks to allow enough track capacity for commuter trains. The best case assumption used was four trains in the morning and four out in the afternoon for Raleigh, Durham, and Greensboro. Those figures, including equipment for 13 train sets, was about \$1 billion if they built out all 140 miles of the study area for commuter rail using the four trains in and four trains out scenario. The track cost averaged about \$7 million per mile.

The biggest response NCRR got after the study was, “What’s the market? Potentially, what is the highest and best use of the NCRR in a local passenger rail sense?”

Last year the NCRR Board of Directors approved a study to look at that, and the results will be released at their second rail forum in Raleigh on May 11th. The study was done by Steer Davies Gleave, a Boston firm. They were asked to look at the model of the four trains in and four trains out to determine whether there is a market and what the cost would be.

Mr. Saylor said there has been a new term coined in the Triangle Area by David King called “express rail,” which means commuter trains would share tracks with freight trains on an expanded basis. Since most of NCRR is single track, some double track will have to be added in order to do this.

As examples of some of the work NCRR has done, Mr. Saylor said there is a major curb straightening project that just started about a month ago in downtown Kinston at a cost of \$1.2 million. There is an \$8 million dollar project in partnership with NCDOT and Norfolk Southern to upgrade thirty crossings east of Raleigh, which has not had gates and lights.

He said they did a bridge in Clayton a couple of years ago, which was a one-day change out. The bridge span was designed and built in Clayton providing local jobs in Clayton. The old span was lifted out, and the new span replaced it in 18 hours. The old bridge had been speed restricted to 45 miles per hour, but now they are up to 59 and sometimes 79 miles per hour capacity for passenger trains east of Raleigh.

The last page of the handout gives information on the Rail Forum in Raleigh on May 10-11. There is a different format this year. There will be a late afternoon informal session to talk about economic development and industrial freight rail sites. He said they hired a consultant to do a study statewide to tell them what four or five good industrial rail sites would look like. The passenger side of that discussion on Monday afternoon is going to be a session called “Which Train is Which?” He said there is a lot of confusion about light rail, uni-rail, inter-city, and high-speed. Someone is coming down from New Jersey to explain the differences in those types of equipment and tell what they are designed to do. The more formal session will be on Tuesday morning up through lunchtime on May 11th. He said they would be glad to have the committee attend.

Chairman Rapp asked if there were questions.

Representative Iler asked whether the \$7 million per mile assumed already owning the right-of-way with one track there. Mr. Saylor said that figure was using the existing right-of-way. It did not include any land.

Chairman Rapp asked Representative Iler if he could enlighten him on what is happening with the City of Greensboro regarding some controversy about protecting rail corridors and expansion in the city. Chairman Rapp said he had received an inquiry from a reporter in Greensboro.

Neither Representative Iler nor Representative Cole knew anything about a controversy, and Mr. Saylor didn't know either. He said there used to be an issue about the line at Battleground Avenue, but he was not aware of anything recently.

Chairman Rapp said there was apparently a vote taken by the Greensboro City Council, and that was what spurred the reporter's call.

Representative Cole asked whether in looking into future transportation corridors they had explored including rail, highways, bicycles, walking, etc.

Mr. Saylor said they did look at relocating NCRR out of downtown Morehead City, and they looked at a couple of different alignments that were based in part in what they referred to as the Highway 70 connector. He said there was a plan to run a new highway, and the local community input was that they didn't feel like there was an economic development need at that time. But they did establish what that corridor could look like if it were shifted out of the middle of Highway 70 between Atlantic Beach and Morehead City. It would have cost \$300 million to \$500 million, but it would have meant that there would be a much better railroad into the port. The factor to consider is the growth of the port at Morehead City with regard to rail. He said there are now three bypasses just on the NCRR. They have one at Havelock, Kinston, and Goldsboro. He said some of the downtowns want to keep their railroad because of the potential for passenger rail. He said there are tradeoffs with the passenger and freight, but freight is up. Mr. Saylor said Norfolk Southern is running 140-150 car freight trains in from New Bern every day. He said it is looking like there is a potential for needing some bypasses because they are running right through downtowns.

Representative Ingle said he has been receiving some calls regarding railroads charging businesses rent where they have been located on rights-of-way for years. He asked if Mr. Saylor could clarify that.

Mr. Saylor said about 18 months ago there was a policy shift, and there is some longer term thinking going into that, and it has to do with the pending legislation. The NCRR Board felt they should dial back a little bit on that policy and take a look at this legislation as a way to get at the long-term issues. He said they have a number of encroachments, and the new policy essentially makes it much easier, without fees, to allow use in that corridor outside 50 feet of the tracks. Inside 50 feet, it's a different story.

Chairman Rapp said there continues to be opposition to the legislation proposed because of concern about existing or historic conflicts with the railroad. This legislation does not deal with those historical conflicts; it is looking forward. He said it is important that constituents understand what is being proposed.

Representative Sutton asked in terms of the rail system between Raleigh and Charlotte, whether there would be a lot of additional right-of-way purchases or would most of the improvements take place in the existing corridor.

Mr. Saylor said that issue is under discussion right now because the track plan now would call for some additional rights-of-way. He said there is one project now in Alamance County near the Haw River that would require additional rights-of-way. He said that was the only one between Raleigh and Greensboro. Between Greensboro and Charlotte, there are some areas around Landis where there used to be a double track main line, but because of the interest in trying to get to 90 miles per hour, some of the curves have to be straightened to get to that speed. He said that would require some additional rights-of-way in at least four or five places.

Representative Barnhart said Representative Steen could not be present at today's meeting, but he had told him they had a great meeting in Landis.

The chair introduced Louis Renjel, Vice President of Strategic Infrastructure Initiatives for CSX Transportation, for his presentation.

Mr. Renjel said he spends a lot of time travelling around and talking in state capitals and in Washington, and he said North Carolina is really ahead of the curve with the great work it has done over the years. He said there is a lot of work to be done, but forums like this committee put the state way ahead of others.

Mr. Renjel said he wanted to focus on three main topics: 1) brief background on CSX and their operations nationally and in North Carolina; 2) population growth causing freight to grow and bringing major public policy challenges regarding highway congestion, clean air, climate change; and 3) four projects where CSX and the state are working well together to advance freight rail and passenger rail. A copy of Mr. Renjel's PowerPoint presentation is attached as Exhibit F.

Mr. Renjel said CSX has about 30,000 employees—down about ten percent from 33,000 since the recession. He said they are starting to see signs of the economy changing, and they hope to get those folks back to work. CSX has 21,000 miles of rail, all east of the Mississippi River with a little section of railroad going into Canada. He said they run 1,200 trains per day, about 5 million carloads per year. He said their fleet consists of 3,500 locomotives and about 80,000 freight cars. They serve about 70 ocean, lake, and river ports including the port at Wilmington.

In North Carolina, Mr. Renjel said CSX has about 1,770 miles of track, and it shares operations in some critical places with the NCRR. In 2009, they operated 867,000 carloads and employed about 1,000 people in the state who were paid \$73 million in compensation and benefits. Last year CSX invested about \$51 million in North Carolina infrastructure. He said the carloads they moved helped primarily the manufacturing, agriculture, energy, and construction markets.

He said everyone knows what traffic looks like today, and nationally there will be about a 50 percent increase in freight demand at a minimum. He said he saw in North Carolina's Rail Plan where North Carolina is expecting by 2035 a 30 percent increase in population. He said there are challenges like clean air, U.S. competitiveness, need for

jobs, and climate change. He said North Carolina would have significant challenges with the freight demand by 2020, but there are significant opportunities as well.

Mr. Renjel said the freight demand is coming. The Panama Canal is going to be expanded in 2015, bringing a wonderful opportunity for the state, particularly to the Port at Wilmington. He said there is not enough highway capacity out there, nor can it be built quick enough to handle all the freight. He said CSX works with their trucking partners, and although they compete in a lot of markets, they really see the trucking industry as a partner as opposed to a competitor. The result of inaction will clearly compromise U.S. competitiveness, continue dependence on foreign oil, and continue the challenges of climate change and clean air.

When thinking of freight rail and addressing some of the challenges, Mr. Renjel said U.S. competitiveness is key. He said freight rail is absolutely essential in the agriculture and manufacturing sectors. Listening to an expert in Washington a few weeks ago, he said one of the great competitive advantages this country has is our freight rail network. Mr. Renjel said China is investing a massive amount of money trying to catch up to the U.S. because they realize that is one of the things that we still have on them. American ingenuity cannot be replicated either, but certainly our freight rail is one of the infrastructure advantages for the U.S.

Freight rail has environmental and energy-efficiency benefits. For 2009, CSX moved a ton of freight 466 miles on a single gallon of diesel. Mr. Renjel said that represents well over a 90 percent increase since 1980 and about an 80 percent increase since 1990. He said they have been working hard on moving from point A to point B in the most efficient way, and they are very proud of those figures. He said they are also working with the public sector to get greener. CSX thinks their environmental advantage is a key competitive advantage as they look at the marketplace for moving freight and goods in the future. He said he welcomed any thoughts the committee has on that. In addition, Mr. Renjel said a single train can move the equivalent of 280 trucks.

There are four projects in which CSX is working with the State of North Carolina to enhance passenger and freight rail. They are Intercity and High-Speed Passenger Rail, projects in both Fayetteville and Greenville, and the National Gateway.

In regard to the stimulus grants for high-speed and intercity passenger rail, one thing that occurred to CSX officials is that many states started planning for high-speed rail the day after the President made the announcement that \$8 billion was available. The great thing for North Carolina is North Carolina was doing it before it was cool. It's been 12 years in the making, and Pat Simmons is a recognized national leader on this issue. Therefore, North Carolina was very well positioned when it came. Mr. Renjel said CSX congratulates the state on receiving the \$545 million stimulus money. He said NC and CSX have a MOU in place, and they think that they have a good foundation to work forward with both freight and passenger rail projects. He said CSX people often go to forums where passenger rail discussions occur, and sometimes they hear the talking point that freight rail is very important, but they don't really feel a lot of action behind that talk.

He said this is not the case in North Carolina; they really do feel when they talk to Pat that he is looking for a fair balance between the two, advancing both, and clearly he understands the importance of both.

In talking to North Carolina and other states about high-speed rail and increased passenger rail, paramount to CSX is maintaining the safety and fluidity of the rail network so that they make sure that both the public and their employees get home safely while effectively serving their customers.

Mr. Renjel said there are projects in Fayetteville and Greenville that CSX is working on with the state, and they were brought to their attention by the communities. He said John Dillard here in North Carolina has been working on these projects for a couple of years. In Fayetteville there is a challenge where they have a handoff to one of their shortline partners, and unfortunately that interrupts traffic flows often in the middle of the day. So they are working with the city and the state to put in some investments to more efficiently make that move so they are not blocking traffic in the middle of town, and at the same time, they are going to build a connection at Fort Bragg that will allow them to better serve that base.

In Greenville, there is a similar situation where they are having to stop more trains and block traffic quite a bit, and they are again working with the state and the city to advance that and help the public live with the railroad. They want to be good neighbors, and this is an example where they are working to do that.

Mr. Renjel said the National Gateway is their signature public-private partnership that is going on right now with the increase in freight demand and the public policy challenges that come with that freight demand. He said the National Gateway is an \$842 million public-private partnership in which CSX is working with six states and the District of Columbia. The six states are North Carolina, Virginia, Maryland, Pennsylvania, West Virginia, and Ohio. The primary goal is to double-stack clear to double efficiency in doubling the haul of the train with the same amount of power and increase the terminal capacity so they can move more on the lines and handle more at their terminals.

With regard to specific investments in North Carolina, CSX is investing \$10 million in working on the Charlotte expansion so that the Charlotte intermodal terminal will increase their ability to process and handle more freight there. Last November, they completed clearance projects in Wilmington so that the port is double-stack clear.

Mr. Renjel said there are a number of investments in Washington, DC and Ohio that will help North Carolina. The biggest bottleneck CSX has on their railroad, and the biggest bottleneck that the Port of Wilmington has to reaching Midwest markets, is the Virginia Avenue Tunnel in Washington, DC. CSX is putting up \$33 million, the State of Virginia has put up \$24 million, and the federal government is putting up about \$115 million to \$120 million for a total of \$172 million to complete that tunnel. If that is not

done, that really puts Wilmington in a tough spot. It is a must have for the Port of Wilmington to grow and realize all of the benefits of the freight that is coming.

Secondly, CSX is investing \$175 million in a new rail facility in northwest Ohio. This facility is almost five miles along and about a mile and a half wide—an enormous facility. He said they were rethinking the way they railroad by consolidating volumes from Wilmington, Hampton Roads, Baltimore, New York, Boston—wherever it is coming in—and much like airlines operate hubs. This will be completed next year, and they think with this, plus the double-stack clearance in the Virginia Avenue Tunnel, they will be able to triple the market access for the Port of Wilmington.

The projects are going to include a few different ways of getting to the double-stack clearances. First, they will actually physically raise bridges to get to 20 feet, 2 inches of clearance. Another way of doing it is called notching, where they cut the corners of the tunnels out to allow the boxes to go through. The third way is to lower the tracks to get the clearance. The final way, as with the Virginia Avenue Tunnel, they go in and actually build a brand new tunnel. The vast majority of the work, however, is going to be done by bridge raising, notching, and track lowering.

The National Gateway Project is going to cost \$842 million, and the breakdown has the feds paying \$258 million, the states paying \$189 million, and CSX paying \$395 million. When CSX submitted a federal stimulus application last year, in using the Department of Transportation's methodology for public benefits, it came out that for every dollar the public invests, they get about \$22 in returns. He said jobs, cleaner air, safer highways, and less highway maintenance costs are the primary benefits.

As to where they are now on the funding, CSX received \$98 million in federal stimulus funds about a month ago, and that is for the first segment of the corridor going from their facility in northwest Ohio to Chambersburg, Pennsylvania. He said they were going to continue to try to get the other \$160 million in federal funding. He said there had been some mention earlier about \$600 million that is available this Spring for infrastructure projects, and they are certainly going to be pursuing that. Also, they'll be looking at the Federal Transportation reauthorization bill whenever Congress can get to it. On the state side, Mr. Renjel said they had secured all but \$5 million. He thanked North Carolina for putting up their share as have all the other states. He said CSX has committed \$395 and to date they have put in \$10 million at Charlotte, \$175 million in northwest Ohio, and \$50 million in Chambersburg, Pennsylvania. There is more work to do, but they are trying to work through it as quickly as possible.

Calculating the benefits of the National Gateway over 30 years, it is expected that 50,000 jobs will be created, including 25,000 jobs in 14 economically distressed areas. Mr. Renjel said the National Gateway will clearly improve the U.S. competitiveness and it will triple the access to ports like the Port of Wilmington. There will be a decrease of 20 million tons of CO₂ or the equivalent of taking about 3.5 million cars off the roads. Finally, completion of the National Gateway will reduce oil consumption by about two billion gallons of diesel fuel.

In North Carolina specifically, there are about \$645 million in public benefits. Four thousand jobs will be created. About \$40 million of highway costs will be avoided by taking about 840 million truck miles off the roads. Greenhouse gas emissions will be reduced by about 1.1 million tons. Safety will be improved, and \$55 million will not be spent on traffic accidents. Finally, Mr. Renjel said overall shipping costs to CSX customers will be reduced by about \$200 million. In thinking about the advantages to CSX for double-stacked clearances, it allows them to do more with less and to drop their prices and get more competitive in the freight markets.

The last page of Mr. Renjel's presentation provides some of the names that are behind CSX with the National Gateway. He said the Port of Wilmington and the State of North Carolina have been great partners, and CSX appreciates that.

Chairman Rapp asked how CSX could handle tripling the volume of the Port of Wilmington based on the track there now.

Mr. Renjel said first of all the double-stack clearances will help add more capacity, and the capacity is there today. He said it is a line capacity issue, and they think they will be able to handle that traffic coming in; and it is also a terminal issue, and they are building out the capacity of the various terminals because a lot of the freight that will be coming from the east, used to come in from the Port of Long Beach and then rail across the country. The Panama Canal completion will have ships coming in from Asia, going through the Panama Canal and then coming into Wilmington; so the Port will be serving customers in the Midwest. With the terminal capacity and line capacity enhancements, Mr. Renjel said CSX thinks it will be able to handle the traffic.

Chairman Rapp asked if they had a specific plan in terms of the terminals themselves.

Mr. Renjel said they are looking specifically at building a whole network of terminals to handle the freight in Charlotte; the Hampton Roads area; the Baltimore-Washington area; Chambersburg, Pennsylvania; and northwest Ohio. He said the Port at Wilmington also has a good on-site facility to handle freight.

Mr. John Dillard of CSX said the terminal network is important and the double-stack clearance increases the capacity as well.

Representative Ross asked what 4,000 jobs would be created for North Carolina and how many jobs there would be net since some of the other jobs would no longer be needed.

Mr. Renjel said he would get the committee the breakdown details of where the jobs are; however, the 4,000 jobs in North Carolina will come from the fact that they are expecting a significant increase in freight demand through the double-stack clearances plus the terminals, which will allow the Port of Wilmington to attract new business. He

said they expect not only railroad jobs but also warehousing jobs, terminal jobs, and all those sort of jobs will come in time with that freight growth.

On follow-up, Representative Ross asked if predominately these jobs would be in New Hanover County that would be either directly dealing with the freight or ancillary to the freight. Mr. Renjel said that was correct.

Representative Iler said in his county there is a lot of talk about the NCIT modifying the International Terminal at Southport, 25 miles down river from Wilmington. He asked if CSX's planning for 2015 or 2020 and 2035 includes planning for Wilmington.

Mr. Renjel said absolutely; they will be providing double-stack clearance routes, which are absolutely essential. The terminal in northwest Ohio will allow the port to serve places they couldn't serve before. He said they had a shortline partner down there, and they think they can work to help make the port grow.

Representative Iler asked if the shortline partnership would extend all the way down to the Southport area, and Mr. Renjel said yes. Representative Iler asked if that would be the line to the ocean terminal.

Mr. Dillard said as they continue to look at that plan and work with the state and the port, that line is going to be one they really have to look at and figure out the infrastructure needed there; but that is the line that would ultimately serve that terminal.

Representative Iler said they were talking about 3,000 containers a day on a single line with construction costs at \$7 million a mile. Mr. Dillard said the \$7 million was a commuter number, but it would be a substantial investment that would be needed, and they were very interested in pursuing it with the DOT, the port, and other partners.

Chairman Rapp asked Mr. Simmons how far down the road we are in the planning.

Mr. Pat Simmons said that DOT, in association with the Department of Defense and the State Ports Authority, is taking a look at the rail line that would serve the new International Terminal. Currently the State Ports Authority is working with the Corp of Engineers to evaluate deepening the river. If that can be done, the rest of the project can be progressed. He said they had also developed some financing options to upgrade the line to the Military Ocean Terminal Sunny Point (MOTSU) as well as at the northern end at Sunny Point Junction. He said they were prepared move forward at such time as the NCIT project can progress.

Representative Sutton asked about the time frame for all the plans and discussion to become a reality.

Mr. Simmons said he was not sure about the time frame on the North Carolina International Terminal, but that would be an appropriate question for the State Ports Authority. If they can make the river work, then the rest of the plan can be developed.

Representative asked if they were looking at eight to ten years or three years.

Mr. Simmons said he did not have a date certain that he could provide because the Ports Authority is taking the lead on it.

The chair introduced Mr. Durwood Laughinghouse, Resident Vice President for Norfolk Southern in North Carolina, to give a perspective on how North Carolina fits into the overall Norfolk Southern network and its plans for the future. Mr. Laughinghouse's handout is attached as Exhibit G.

Mr. Laughinghouse said where CSX has their National Gateway Program, Norfolk Southern has their Heartland Corridor Program as well as their Crescent Corridor Program. He showed slides of maps depicting the rail systems as they exist today. (See Exhibit H.)

Mr. Laughinghouse said there are two Class I railroads, Norfolk Southern and CSX, in the Eastern United States and two Class I railroads in the Western United States, NBSF and UP. He said Canadian Pacific and Canadian National Rail Lines come down into the United States. He said they all interconnect. He referred also to the Kansas City Southern system that runs north and south and down into Mexico to the ports. Kansas City Southern connects with the Canadian railroads as well. He pointed out the map of the entire United States with all the railroads, showing the traffic and where they criss-cross. The map shows where the population is in the Eastern U.S. and the ports in the Western part of the country, where there was congestion in the past.

Mr. Laughinghouse said the congestion they had two years ago is not present today. The traffic in 2008 was off 25 percent, as was traffic in 2009. He said today traffic is up because you can't get much worse than what it was last year. This year there is traffic coming out of the eastern part of the state; and they are now doing more PCS work, which is coming out of Lee Creek and Aurora, Chocowinity across the bridge, and New Bern. He said trains are getting longer. The more trains they can pull, the more efficient they are. He said chemicals are up, agricultural products are up, and export coal is up. He said China was making 300 million tons of coal last year, and we're only doing 17 million tons in this country. He said our metallurgical coal is going overseas because it costs less to make it overseas and bring in back.

Mr. Laughinghouse said domestic intermodal is up and that is the reason for CSX's efforts and Norfolk Southern's efforts with respect to the various corridors and building intermodal facilities.

He said there is little or no change in the steel market in the last year or two. Domestic coal is about steady or down in some cases. He said they were going to lose the

market from Goldsboro where Progress Energy is going to convert their coal plant to a natural gas plant, and that will be on line in about two more years.

Mr. Laughinghouse said paper, clay, forest products are about even with little or no change, and the auto industry has little or no change in the last year, but auto is off significantly from where it was two or three years ago.

International intermodal business is down because we are not importing as much. Mr. Laughinghouse said that is why we don't have the congestion at the ports on the West Coast that we had two years ago.

Mr. Laughinghouse passed out two articles. *U.S. West Coast-East Coast Port Rivalry* is attached as Exhibit I, and *Export Revival Threatened by Shipping Bottlenecks* is attached as Exhibit J.

He said to keep in mind that bulk freight has two components: elevation and freight. The value of that bulk commodity depends on elevation and freight. For example, in the Midwestern United States the largest agricultural production is corn and soybeans. The value of those commodities at any port around the United States is the same. He said the value is the same, but not the price. The price depends on freight cost and the elevation of getting that product into a railroad car or a ship coming down the Mississippi River and going to the export facility for export overseas. And there is arbitrage. He said you get it not so much with respect to intermodal, but for bulk agricultural commodities like corn and beans. If you have a #2 yellow corn and it is headed to South America, then all of sudden there's another ship closer to South America that can deliver #2 yellow corn, then this other ship makes a detour to Africa. Because of the difference in freight costs and values of commodities, that will happen.

He said the articles also mention that shipping out on light railroads have reduced the number of ships on the water. Because of that, there are not as many export opportunities like the President wants to have. He says our ports are not necessarily set up for some exports. There are some farmers in the Midwest having trouble because even though they get their product in the cars and get it to the port on the West Coast, it is hard to get it from there into the ships. It is easy to get it off the ships and into this country, but we're not setup in this country to do very much exporting, and therein lies the problem.

Mr. Laughinghouse said Chairman Rapp wanted him to talk about the economy in future years, but he said they don't know what will happen. He said everything seems to be going along pretty well this year, but everything that he's seen reported by his company and by others suggests they are in a "swish" mode instead of a "W" mode, which spikes up or down. The economy is gradually going up, but it is a non-employment economy right now. He said Norfolk is doing more with less. They have mothballed engines and cars, and they even have less people. He said the people they are hiring today are design engineers. Because of all the demand for freight rail and other rail projected for the future, they are having to design their systems. He said they are hiring a few more conductors, and every conductor that is hired now in the Norfolk Southern system has to

become an engineer so they are able to operate the train. He said they have very strict employment standards—about as strict as you’ll find in any industry in the United States.

In terms of upgrading ports, Norfolk Southern serves only one port and that is at Morehead City. As business improves and they need more infrastructure down there, then they will provide it. He said CSX goes into Wilmington, but Norfolk Southern does not. He said the reason they are improving the track right now between New Bern and Selma is because of the business coming out of PCS. He said they are presently putting new crossties into the track between New Bern and Selma. With freight they have to change crossties about every seven years, but with passenger rail they have to change them every five years. For passenger service on the high rail between Salisbury and Asheville the track would have to be improved and electrified because there is no way of controlling all the switches.

The Hendersonville to Brevard line is an inactive line right now, but they are keeping open all the lines that they can for industrial development. Years ago they were abandoning lines, but the shortlines are providing a very valuable service. Saluda Gray is inactive, and they have done nothing to require any sort of federal STB action to change the condition of that track whatsoever. All they would have to do to go back into service is put up barriers, light up the signals, replace some crossties, and just fix the condition of the track, which would take probably months as opposed to taking years to put it back in service if they were to abandon it.

He said Representative Rapp asked him about Norfolk Southern’s interest in operating trains, and it gets back to the age-old problem of responsibility and who has the risk. He said they have looked at it, and it’s a liability issue. They are operating with Amtrak in a perfect situation with respect to liability where they know what the conditions are. If anyone were to operate a passenger train on any of their lines, right now it would have to be with Amtrak.

Chairman Rapp asked about the rail condition in terms of operation, and Mr. Laughinghouse said if anyone wants to operate on it they would have to hold Norfolk Southern harmless. He said safety was their number one concern in operating a railroad. No matter who they deal with, he said safety is their highest priority.

Mr. Laughinghouse projected a map of the Crescent Corridor running north and south on each side of the Appalachian Mountains. He said Charlotte is going to be a big part of that. He said they didn’t get support from North Carolina last year when they were looking to put the program together, but they are coming back to the state now. He said the state put its money into the Yadkin River bridge, and they should have. He said forty percent of Norfolk Southern’s business is based on trucks, and the Yadkin River bridge is important to both railroads. He said the reason they started the Crescent Corridor was because a trucking company came to them and said, “Here are our markets, here’s our congestion, and we need help. We’ve got to get trucks off the road.” Mr. Laughinghouse said J. D. Hunt was a big proponent of that. He said they had been trying for a number of years to upgrade because of I-81 traffic. Coming back from Knoxville there is a lot of

traffic on I-40 and I-81, and the Yadkin River Bridge is one of the bottlenecks. In order for the economy to move in North Carolina, things are going to have to be brought by rail down into the Charlotte area, thus creating jobs. He said a study done by a Charlotte economic group showed the economic benefit to about a 12-county area in North Carolina. He said you can go about 200 miles intermodal by truck, and there is a big problem with vandalism at the intermodal yards. Keeping watch on the containers is a real big problem. He said the Charlotte intermodal facility at the airport will be a much better situation. It will be built between the second and third runways.

Mr. Laughinghouse said all Class I railroads have an unfunded mandate for positive train control, which is for the benefit of passenger rail. The Office of Management and Budget estimated that the cost to the railroad will be \$15 in cost to every dollar in benefit to the railroad. With Norfolk Southern, he said it is \$22 cost based on their system and what they have calculated for every dollar of benefit. He said they are trying to work through Congress for help in paying for that through a tax credit. He said a tax credit for the shortlines passed in the last week.

Mr. Laughinghouse said rejuvenation of the railroads is very much in demand, and if it were left to the company's own resource they could not do what this country wants to do. That is why they are having to seek public money. He said there is going to be a Tier II Tiger Ramp funding process, and he hopes they get North Carolina's support for that. He said the Charlotte Intermodal facility is costing Norfolk Southern more money than they thought it would. The expansion of the freight infrastructure system to compete not only in North Carolina but also nationally and globally will benefit North Carolina, and that is why they are seeking public funding for all those projects.

Chairman Rapp asked if Norfolk Southern's service is adequate for future demand, and Mr. Laughinghouse said yes. He said to keep in mind that Morehead is a bulk freight port, and Wilmington is primarily a tank port with some bulk freight. He said they are ready to carry anything that comes through Morehead in bulk freight.

Chairman Rapp said at the next meeting the members would be hearing about the State Rail Plan and the picture as it relates to the state's 22 shortlines. The shortlines will be telling how they are working to serve the state, and they will reveal some of their long-range plans and needs. Also, members will hear from the Judy Ray with the North Carolina Rail Passenger Corridor group. She will tell about their needs and what has been accomplished since this committee last heard from them.

There being no further business, the meeting was adjourned until April 7.

Respectfully submitted,

Representative Ray Rapp, Chair

Margie Penven, Committee Assistant